

Want to Make More Money? Fish in a Bigger Pond!

By Kimberly Stevens

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Setting prices is a dilemma most service business owners encounter at one time or another. This week, it was Susan's turn. "When I first started my business, I felt uncomfortable charging for my services. Since I was doing it to make a living, I finally just picked a price I thought wouldn't scare too many people away. Now, based on my available work hours, I can't really take on more clients but at the rate I'm charging them, I'm not going to make enough money to keep the business alive. How do I raise my prices without losing my clients?" she wanted to know.

For whatever reason, it is uncomfortable for many of us to look a person in the face and state our hourly rate or the cost of a project they want us to complete for them. This is usually rooted in our fear of rejection. We think, 'What if the prospect gasps and falls out of his chair convulsing on the floor?' or 'What if he snorts with disdain or launches into uncontrollable laughter?' At the beginning, we really need the work and generally decide we'd rather start getting some clients to build our reputation and skills, thinking we'll charge a rate we know they'll accept. Besides, we can always raise our prices later. Well, now is "later", so it's time to bite the bullet.

First, understand you aren't asking for their firstborn child -- you are asking for money in exchange for the service you are offering. Shakti Gawain, author of "Creating True Prosperity", introduced me to the concept of thinking about money as just another form of energy. Just as you put energy into the service you provide, the client puts energy into their field of interest in order to make money to pay you for your service.

On the business-to-business side of things, the client's business has clearly made the decision to outsource the service they are discussing with you. They have decided to use their internal staff's energy to focus on their core business while outsourcing those things they don't have the skills or time to do. The same is true of individuals - they could paint their house, but they're calling you. Clearly, they don't want to do it and know it's going to cost money to get someone else to do it. Either way, they are going to hire someone to do it, so why not you?

That said, it's time to raise your prices. You've got two sets of people to deal with here -- your current clients and your future clients. Future clients are easy - simply start quoting the higher hourly rate or basing your flat rate proposals on the new hourly rate with no mention of a recent price increase. Your fear that you will lose out on some bids WILL come true. You've been fishing in the pond that attracts the lower-end clients, so you will probably have to start marketing to and networking with prospects on the next higher rung. But, so what? It's still your choice -- you can stick with the low-end guys and struggle to make your business profitable or you can start charging a respectable rate for the skills and professionalism you bring to the table to create a prosperous

business. It's up to you.

Now, the current clients are the ones you are likely most afraid of. What will they say? Will they never want to work with you again? The best time to raise prices is at the beginning of the year, either calendar or fiscal, or at the beginning of a new contract with an existing client. Never try to negotiate a price increase in the middle of a project. If a project is taking significantly more hours than you quoted for a reason out of your control or it's directly within the client's control, you can consider discussing it with them. However, if you want to be sure to maintain positive client relationships, you may choose to learn your lesson from this one and protect yourself with a contract that outlines contingencies such as that going forward. But, in most cases, never try to increase your hourly rate on a client in the middle of a project. This sends a message that will likely get you the response you most fear - that you are a money-hungry so-and-so who only cares about him or her self.

Instead, wait until a natural beginning, ending, or transition period to communicate your price increase. One way to do it is to send your client a beginning of the year letter that expresses your appreciation of their business in the prior year, outlines any policy changes you've made for the coming year, communicates your price increase, and states your anticipated pleasure of working with them in the coming year. If you are raising prices at the end of one project and are about to bid on another project with the same client, during your discussions tell them you have raised your hourly or project rate and hope they still find it to be competitive and will continue to work with you since you've really enjoyed collaborating with them.

Notice you did not hear me guarantee you will keep every single one of your current clients. Like you, your clients make purchasing decisions based on a variety of factors, each person weighing each of the factors differently. If you've been the lowest price available in your field, you've no doubt attracted clients who make decisions based mainly on price. Increasing your price so you are no longer "the low-price guy", may send them packing. So be it. Once you raise your prices to a respectable rate you can profit from, that's competitive and fair, you will begin to attract clients who will pay it. It's all about positioning. You can position your company as the low-price guy, the top-of-the-line guy, or the value guy (middle of the road price with a quality service).

The lesson here ... it's your business and your revenues are what you make them.

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Kimberly Stevens is a business coach who works with business owners who want it all – a joyful personal life and a meaningful and profitable business. Her web site <http://www.askthebizcoach.com> offers weekly TeleTalks on business topics, a discussion board, business assessments tools, and an ezine addressing business challenges from a more personal angle.

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